

realized that they were conducting business under a heavy handicap and secured their own election as directors in 1834. A director could not afford to refuse a discount requested by a member of the legislature and the discounts of the bank increased from \$448,859 in 1826 to \$20,642,473 in November, 1837. The circulation had swelled in the meantime from \$273,507 to \$6,676,050.

Those were ' * flush times ' in Alabama and so complete was the intoxication' of the people with the paper money craze that the General Assembly on January 9, 1836, passed an act abolishing direct taxation in the State and setting aside \$100,000 of the bank money to defray the expenses of the State government. The crisis of 1837 led to an investigation of the discounts and it was found that over \$6,000,000 were worthless. Confidence in the paper money, "supported by the faith and credit and wealth of the State," to use the favorite phrase of the champions of government paper money, suddenly collapsed and with it the whole structure of business and credit in Alabama. The General Assembly was hastily summoned in special session and authorized a loan to the people of \$5,000,000 in bank money, which was increased by \$2,500,000 in December; but the fever had run its course, the charters of the branch banks were repealed in 1842, and the charter of the State Bank was not renewed when it expired in 1845. The assets of the bank netted about \$10,000,000 towards reducing the bonded debt to the State, but \$4,000,000 was a dead loss, in addition to the public funds originally set aside for the use of the bank. The effect of their experiment with a bank of State upon the people of Alabama was indicated by the provision of the constitution of 1867, that "The State shall not be a stock-holder in any bank, nor shall the credit of the State ever be given or loaned to any banking company or association or corporation.' *

Mississippi had a similar experience. Two early experiments in State ownership with bad results did not deter the people from the establishment of the Union Bank of Mississippi in 1838 with a capital of \$15,000,000. This capital